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Sachith Amarasekara
Director, Forensics

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The evolution of financial crime compliance

As financial crime continually becomes more challenging and complex, Sachith Amarasekara tells us how global financial crime experts are foreseeing a fundamental shift in organizations’ approach to compliance.

Based on our interviews with 16 global thought leaders, we have identified five major trends that are anticipated to disrupt financial crime compliance over the next decade.

Financial crime compliance will be purpose-led

Financial institutions are expected to drive effective financial crime compliance outcomes by being purpose-led. Institutions will also need to focus on the spirit of financial crime compliance laws: preventing criminals from having anonymous access to the financial system and providing actionable intelligence to law enforcement to disrupt criminal activity for the good of the society.

Effectiveness rather than ‘tick box’ compliance

Some regulators and financial institutions are moving away from the ‘tick box’ technical compliance mentality, which was kickstarted by the effectiveness assessment approach of the Financial Action Task Force (FATF). In the UAE, this paradigm shift is further facilitated by the country’s high level of political commitment to implementing the actions recommended by the FATF.

The focus on outcome rather than output in financial crime compliance is also expected to significantly increase over the next ten years. This presents an opportunity for regulators and the industry to work closely together to agree on the desired results and allow some flexibility to focus on threats.

New ways to know-your-customer and customer due diligence

Know-your-customer (KYC) is foreseen to remain central to both compliance and core business process. Many institutions continue to struggle with inefficient and ineffective implementation of KYC and customer due diligence (CDD) resulting from cumbersome processes, fragmented data and labor-intensive operations. Over the next ten years, there will likely be a significant shift in the execution of KYC due to advances in technology and data. Automation of key processes can also support the digitization of KYC as ongoing CDD becomes more data-driven and uses real-time monitoring based on customer risk.

Next-generation financial crime detection systems

Many institutions are currently struggling with high ratios of false positive alerts. Global experts in financial crime anticipate the next generation of detection tools to be more dynamic, using intelligence to assess real threats and produce higher value alerts for investigation. A rapid increase in the deployment of machine learning and artificial intelligence for financial crime detection is also expected to result in earlier flagging of higher value cases and, consequently, better-targeted investigations.

Data and technology underpinning the financial crime compliance evolution

Data collected on customers and their behavior is expanding at a rapid rate. Growth in automation of case management activities is also allowing financial crime analysts to allocate more time to analysis rather than the collation of information. A good data structure, data governance strategy and risk-based approach to data lineage can be leveraged to provide a pathway to complete, accurate and timely data.